

Pension Reform
Frequently Asked Questions II (FAQs)

1. Will there be meetings or forums which employees can attend to learn more and ask questions?

Yes. The City plans to hold informational meetings for all employees in the coming weeks. You will be sent details about the upcoming sessions very soon.

2. Why do some employees in the Defined Benefit (DB) contribute 7% and others 8%?

If you have a spouse or unmarried child under the age of 18, you are required to provide beneficiary coverage, therefore contributing 8%. Employees without beneficiaries pay 7%. Employees in the 401(a) Defined Contribution (DC) plan contribute 6% with or without a beneficiary.

3. What is vesting?

Vesting means that the participant has earned the right to a pension benefit. The vesting period for employees in the DB plan hired after July 2010 is 15 years. Employees hired prior to July 2010 vest in 10 years. Employees in the DC plan vest in 5 years.

4. What happens to my money if I leave before I'm vested?

If you separate from the City before becoming vested, you can receive a refund of the money as a rollover or a lump sum that you have contributed over your career with interest. However, participants receiving a refund of their contributions will forfeit all retirement benefits from the Plan.

5. What happens if I die before starting to collect my benefit?

If you are vested and die before or while receiving your pension, your beneficiary will receive your pension. If you have not vested, your beneficiary will receive a lump sum payment which will include your contributions plus interest. If the beneficiary is your spouse or domestic partner, the pension payment will continue for the beneficiary's lifetime. If the beneficiary is your unmarried dependent children under 18, the pension payment will continue until the youngest is either married, reaches age 18 or if a full-time student, reaches age 23.

6. Who is qualified to be a beneficiary under the current plans?

Your beneficiary is your spouse to whom you are married for at least one year as of the date of your death or your domestic partner who has been legally registered as such for at least one year as of the date of your death. If no spouse or domestic partner qualifies, your beneficiary may be your unmarried dependent children under age 18. In either case, you must have notified the plan that you have a qualifying beneficiary and paid the additional 1% contribution to qualify for the survivor benefit.

7. What is a frozen pension plan?

A frozen pension plan is one that has been amended to discontinue future benefit accruals under the plan, although the assets remain in the plan. The retirement benefit you have already accrued (or earned) as of the "freeze" date remains unchanged. No benefits will be earned or accrued after the "freeze" date. Under a frozen plan, the vesting period still applies for collecting the pension benefits that have been accrued.

8. What is a hard freeze vs. soft freeze?

There are two ways to freeze the benefit, "hard" and "soft". Under both a "hard" and a "soft" freeze, the participant does not earn future service under the pension plan. The difference between the two is what salary goes into determining the benefit payable at retirement.

Under a "hard" freeze, the benefit is based on the final salary as of the freeze date (i.e., no salary after the freeze date is included in the determination of the retirement benefit). Conversely, the determination of the retirement benefit under a "soft" freeze includes all salary.

For example, Joe has worked for the City for 10 years and has a final average salary of \$50,000 as of the freeze date.

Under a “hard” freeze, Joe will receive a benefit of \$15,000 annually ($3.00\% \times 10$ years of service \times \$50,000). Joe’s benefit will remain unchanged regardless of future salary.

Under a “soft” freeze, Joe’s future salary will be included in the determination of his retirement benefit. Assuming Joe’s final average salary at retirement is \$60,000, he will receive an annual benefit of \$18,000 ($3.00\% \times 10$ years of service \times \$60,000). Note that the service remains unchanged under both a “hard” and a “soft” freeze.

Any additional questions should be sent to pension.questions@atlantaga.gov.

To access all of the FAQs, please paste the following link into your web browser:
http://www.atlantaga.gov/government/hr/pensionreform_021811.aspx.

IMPORTANT NOTE: This document contains only a summary discussion of the City’s pension plans and certain changes to those plans currently being considered by the City. Not all terms of the pension plans which affect the calculation of and eligibility for pension benefits are discussed in this summary. For a complete discussion of the terms of the pension plans and how those terms apply to you, please direct your attention to the pension plans themselves. Also, to the extent there are any differences between this summary description and the terms of the pension plans, the pension plans will control.